

Service Date: December 22, 1994

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Application)	
of PACIFICORP for Authority to)	UTILITY DIVISION
Sell or Otherwise Transfer)	DOCKET NO. 94.12.59
Certain of its Demand-Side)	DEFAULT ORDER NO. 5822
Resource Receivables.)	

On December 5, 1994, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Chapter 3 of Title 69, MCA, requesting an order authorizing the Company to (1) sell or otherwise transfer, from time to time, some or all of the Company's demand-side resource receivables to one or more special purpose subsidiaries of the Company, which in turn will sell undivided interests in certain of such receivables for an aggregate amount not to exceed \$50,000,000 at any one time, and (2) enter into such agreements and arrangements (including agreements creating liens on the receivables) with the subsidiaries and others as may be reasonably required to effect such sales; provided, however, that no such agreement may be entered into after December 31, 1999, without further authorization from the Commission. As it is possible to view the proposed transactions as financings, the Company is seeking an order of the Commission approving the proposed transactions pursuant to Chapter 3 of Title 69, MCA.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of the Company's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed transactions, the other regulatory authorizations required, and the propriety of the proposed transactions.

At a regular open session of the Montana Public Service Commission held in its offices at 1701 Prospect Avenue, Helena, Montana, on December 21, 1994, there came before the Commission for final action the matters and things in Docket No. 94.12.59, and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. The Company is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.
2. The Company is operating as a public utility as defined in '69-3-101, MCA, and is engaged in furnishing electric service in Montana.
3. The Company was incorporated under Oregon law in August, 1987 for the purpose of facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and changing the state of incorporation of PacifiCorp from Maine to Oregon. The Company uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within their respective service territories located in the states of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming.
4. The Commission has jurisdiction over the subject matter of the application under Chapter 3 of Title 69, MCA.
5. Notice of the application was published as a part of the Commission's regular weekly agenda.
6. The Company is proposing to sell or otherwise transfer, from time to time, some or all of the receivables arising under its demand-side management programs to one or more special purpose subsidiaries of the Company, which in turn will sell undivided interests in certain of

such receivables. The anticipated terms of the proposed transactions are summarized below and in Exhibit K in the Company's application.

7. The Company expects to form one or more new, wholly-owned subsidiaries, which will be organized as special purpose, bankruptcy remote corporations (SPC) in order to provide the purchasers of these interests with

first priority liens on the receivables. The sole purpose of each SPC will be to acquire loan and lease receivables arising out of the Company's demand-side management (DSM) programs. It is anticipated that the Company will capitalize each SPC with a contribution of cash and some of the Company's existing DSM receivables, and that the SPCs will purchase the balance of the existing DSM receivables from the Company. After the initial sale of DSM receivables, the Company may, at its election, sell additional DSM receivables to the SPCs each month or on some other periodic basis. The purchase price in these transactions will include an appropriate discount from the face amount of such receivables to reflect the period over which they will be collected. Although the sale to an SPC would be at a discount, the combined transactions of the Company and the SPC would be presented for regulatory purposes as a sale of an undivided interest to the Purchaser (as defined below) in the face amount of the receivables. The SPCs will use the proceeds from the transactions described below to pay the Company for the DSM receivables they purchase. The Company and the SPCs will also enter into an agreement pursuant to which the Company will continue to have responsibility for collecting and servicing the DSM receivables and otherwise maintaining relationships with the customers involved.

8. It is anticipated that the SPCs will enter into receivables purchase agreements (each, an Agreement) with one or more banks or other financial institutions (Purchaser). The first Agreement is expected to be with Citibank, N.A., one or more of its affiliates and a receivables investment company administered by an affiliate of Citibank, N.A. Pursuant to the Agreement, the SPC and the Purchaser will treat the DSM receivables obtained by the SPC from the Company as a single pool of assets (Pool) during the term of the Agreement. The Company expects that the first Agreement will have a term of five years and that the Purchaser will purchase an undivided percentage interest in the Pool from time to time, up to a maximum purchase investment by all Purchasers of \$50,000,000 at any one time. Each Pool must at all times include DSM receivables (1) having a face value at least equal to the Purchaser's investment in the Pool plus the amount of various required reserves as described below and (2) otherwise meeting certain eligibility criteria set forth in the Agreement.

9. As protection for its investment in the Pool, the Purchaser will require that the amount of DSM receivables in the Pool include reserves for potential credit losses and for payment of its Yield (as defined below) and certain expenses of the transaction.

10. As the owner of an undivided percentage interest in the Pool, the Purchaser will be entitled to receive its percentage share of each principal payment received with respect to the receivables in the Pool. It is anticipated that the Purchaser will reinvest its share of the proceeds in the Pool until an event of termination occurs. Events of termination are expected to include certain bankruptcy and insolvency events involving the Company or the SPC and the expiration of the term of the Agreement. Certain optional termination rights are also expected to be available to the Company.

11. Upon the occurrence of an event of termination, (1) the Pool will be deemed closed and no new DSM receivables will be added to the Pool, (2) the Purchaser will have no reinvestment obligation and (3) the Purchaser will receive its percentage share of each payment received on receivables in the Pool until it has received repayment of its investment. As a result, the Purchaser's investment in the Pool will be liquidated as payments are received. Before an event of termination, the Purchaser's percentage interest in the Pool will be equal to the percentage that (i) the amount of the Purchaser's investment in the Pool bears to (ii) the amount of all DSM receivables in the Pool meeting the eligibility criteria in the Agreement. At all times after the occurrence of an event of termination, the Purchaser's percentage interest will be equal to its percentage interest immediately before the event occurred.

12. As compensation for its investment in the Pool, the Purchaser will receive a return (Yield) payable monthly in arrears. It is contemplated that the Purchaser will finance the purchase of its interest in the Pool through the issuance of commercial paper and/or medium-term notes. If commercial paper is used, the Purchaser's Yield will equal the composite rate of AA-rated commercial paper issuers, plus any expenses relating to the issuance of such commercial paper. If medium-term notes are used, the Purchaser's Yield will equal the rate on such medium-term notes, plus any expenses relating to the issuance thereof. In the unexpected event that the Purchaser is not able to finance itself with commercial paper or medium-term notes, a back-up purchase arrangement is expected to be implemented. In that circumstance, the

Yield is expected to be a variable rate based upon LIBOR, plus a margin of 0.50 percent per annum, which would increase to 1.25 percent per annum in certain circumstances.

13. In addition to the Yield, the SPC will pay the Purchaser or its agent the following fees: (1) a monthly program fee of 0.175 percent per annum on the average amount of the Purchaser's investment in the Pool during such month; (2) a structuring fee of the greater of (a) \$50,000 or (b) 0.15 percent of the amount of the facility upon closing of the initial purchase pursuant to the Agreement; (3) an annual fee of approximately 0.10 percent of the amount of the facility as compensation for the back-up purchase arrangement; and (4) an additional annual fee equal to approximately 0.01 percent of the amount of the facility. The SPC will also be obligated to reimburse the Purchaser and its affiliates for certain expenses and to indemnify the Purchaser and its affiliates from certain losses and expenses in connection with the purchase transaction. In addition, the SPC will be required to pay a fee, expected to be approximately .25 percent of the amount of the facility, to the Company for collection and other services. The Company's capital contribution to the SPC, as well as certain specified reserves from the Pool, are intended to provide funding for such fees and expenses.

14. The Purchaser will require that it obtain a first priority security interest in all receivables in the Pool. The use of an SPC will enable the Company to sell receivables free from the lien of the Company's mortgages, which may otherwise represent a claim on such receivables superior to the claim of the Purchaser.

15. Each special purpose subsidiary to be formed by the Company will be wholly-owned by PacifiCorp. The SPC's officers and directors are also expected to be officers of the Company, although at least one of the directors will be independent so that the SPC may be considered to be bankruptcy remote from the Company. The organizational documents of the SPC are expected to restrict its ability to engage in bankruptcy proceedings without the approval of each independent director. The officers and directors of the SPC will have no pecuniary interest in the proposed transactions.

16. Although the sale to an SPC would be at a discount, the combined transactions of the Company and the SPC would be presented for regulatory purposes as a sale to the Purchaser of an undivided interest in the face amount of the receivables. No funds would be disbursed by

an SPC other than for payment of expenses of the transactions as described herein and payments to the Company. The books and records of the SPC would be made available for examination by the Commission's staff. Thus, for regulatory purposes the transactions with SPCs will be treated as an integrated part of the Company's utility operations.

17. Without the use of an SPC, the Company believes that it would not be able to obtain the favorable funding terms the proposed transactions are expected to provide.

18. The Company believes that the proposed transactions will enable it to obtain funding to support its demand-side management programs on attractive terms. The Yield and other expenses of the transactions are expected to result in an overall cost lower than the costs which would be incurred by the Company if it financed its demand-side management programs with a traditional mix of debt and equity capital. Accordingly, the Company believes that the proposed transactions are supportive of the Company's involvement in such programs.

19. To the extent the proposed transactions are considered to be financings, the funds obtained by the Company in the transactions will be used for the following purposes: the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations which were incurred for utility purposes or the reimbursement of the Company's treasury for funds used for the foregoing purposes.

20. The Company keeps its accounts in a manner which enables the Commission to ascertain the amount of money expended and the purposes for which the expenditures were made. If the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of the utility purposes listed above.

21. The estimated expenses of the proposed transactions are as follows:

ESTIMATED EXPENSES

Regulatory agency fees	\$ 1,000
Purchaser fees*	75,000
Company counsel fees	50,000
Purchaser counsel fees	100,000
Miscellaneous Expenses	<u>9,000</u>
TOTAL	<u>\$235,000</u>

*Excludes annual fees.

22. The issuance of an order authorizing the proposed transactions does not constitute agency determination or approval of any issuance-related ratemaking issues. Such issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS OF LAW

1. The proposed transactions to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.
2. The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp filed on December 5, 1994, for authority to (1) sell or otherwise transfer, from time to time, some or all of the Company's demand-side resource receivables to one or more special purpose subsidiaries of the Company, which in turn will sell undivided interests in certain of such receivables for an aggregate amount not to exceed \$50,000,000 at any one time, and (2) enter into such agreements and arrangements (including agreements creating liens on the receivables) with the subsidiaries and others as may be reasonably required to effect such sales; provided, however, that no such agreement may be entered into after December 31, 1999, without further authorization from the Commission, pursuant to Chapter 3 of Title 69, MCA, and to use the proceeds for the purposes described in the Company's application, is approved.

2. PacifiCorp shall file verified copies of any agreement entered into pursuant to this Order as they become available.

3. Issuance of this Order does not constitute acceptance of PacifiCorp's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

4. Approval of the transactions authorized shall not be construed as precedent to prejudice any future action of this Commission.

5. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp pursuant to the provisions of this Order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

6. This Order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 21st day of December, 1994, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman

BOB ROWE, Vice Chairman

DAVE FISHER, Commissioner

NANCY McCaffree, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.